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1978 ANNUAL REPORT

ANNUAL REPORT 1978 — INDEX

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Robinson, Little & Company, Limited

THE PRESIDENT'S REPORT TO THE SHAREHOLDERS

In spite of generally adverse economic conditions, Western Canada is on the march.

Your Board of Directors has recently reorganized the Company's Administrative staff to create a Management Team which will enable Robinson, Little to participate effectively in this period of economic growth.



The following appointments to the Team are: Bruce Leckie becomes Vice-President & Manager of Wholesale Division; James Leckie remains Treasurer & Comptroller; Thomas Mathews is appointed Manager of Retail Division; and Colleen E. Owen assumes the position of Corporate Secretary.

Management has also strengthened the financial position of the Company by placing a five million dollar debenture with Canada Permanent Mortgage Corporation, Pioneer Life Assurance Company, Pioneer Trust Company and the Royal Bank of Canada for long term financing. Our line of credit with the Royal Bank has also been considerably expanded.

From this new financial strength, we are looking forward to improving our position in the market place.

Yours faithfully,

A handwritten signature in cursive script, reading "Clare Leckie". The signature is written in dark ink and is positioned above the printed name "PRESIDENT".

PRESIDENT

DIRECTORS INFORMATION

CLARE C. LECKIE, Chairman of the Board;
President and General Manager,
Robinson, Little & Company, Limited,
Winnipeg, Manitoba.

A. C. WRIGHT, B.A., LL.B.

Partner of the Law Firm of
Wright, Davies,
London, Ontario

J. KLASSEN,

Vice-President and Director,
Monarch Industries Limited,
Winnipeg, Manitoba.

F. C. ADAMS, President,
Charlodon Consultants, London, Ontario.

D. J. REIMER, Vice-President and Treasurer,
Reimer Express Lines Ltd.,
Winnipeg, Manitoba.

J. T. McJANNET, B.A., Q.C.,

Partner in Law Firm of Norton,
Schartz, McJannet, Weinberg,
Director, Winnipeg Supply &
Fuel Company Limited, Winnipeg, Manitoba.

W. C. WEIR, President

Walter C. Weir Financial Planning &
Insurance Ltd., Minnedosa, Manitoba.

Robinson, Little & Company, Limited

DIRECTORS



CLARE C. LECKIE



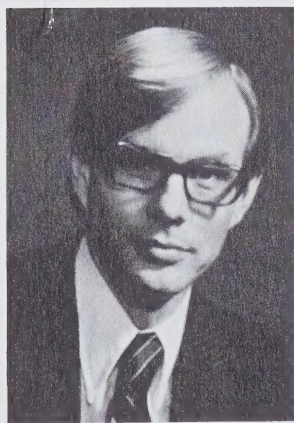
J. KLASSEN



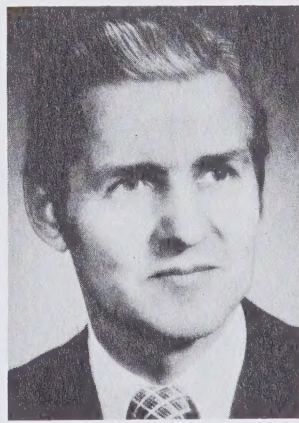
F. C. ADAMS



J. T. McJANNET



A. C. WRIGHT



D. J. REIMER



W. C. WEIR

Robinson Little & Company Limited

	1978	1977	1976	1975	1974
Sales	\$46,502,401	\$43,337,153	\$40,646,552	\$39,130,070	\$33,225,000
Dividends Paid on Class 'A' Shares .....	.10	.10	.10	.10	.10
Earnings per Common Share after Class 'A' Dividends .....	.44	.58	.40	.32	.70
Dividends paid on Common Shares .....	.12	.12	.12	.12	.12
Fully Diluted Earnings per Share .....	.39	.51	.36	.28	.62

HEAD OFFICE — 1093 Sherwin Road, Winnipeg, Manitoba. R3H 0T9

TRANSFER AGENT — The Royal Trust Company — Winnipeg, Manitoba. Regina, Saskatchewan.
Toronto, Ontario. Calgary, Alberta.
Montreal, Quebec. Vancouver, B.C.

AUDITORS — Thorne Riddell & Co., Chartered Accountants.

BANKERS — The Royal Bank of Canada.

ANNUAL MEETING — Meeting Thursday, 26th of April, 1979 at 11:00 A.M.
at the Company's head Office.

OFFICERS

CLARE C. LECKIE — Chairman of the Board, President and General Manager.
B. B. LECKIE — Vice President.
J. H. LECKIE — Treasurer.
C. E. OWEN — Secretary

AUDITORS' REPORT

To the Shareholders of
Robinson, Little & Company, Limited

We have examined the consolidated balance sheet of Robinson, Little & Company, Limited as at December 31, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

Winnipeg, Canada
March 5, 1979

**CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1978**

ASSETS

Current Assets

	1978	1977
Cash	\$ 1,375,641	\$ 272,853
Accounts receivable	2,020,426	1,689,896
Inventories	14,904,612	14,836,290
Prepaid expenses	213,788	125,728
	<u>18,514,467</u>	<u>16,924,767</u>

Fixed Assets (note 2)

Land, buildings and equipment	1,328,909	1,420,680
Accumulated depreciation	<u>1,018,614</u>	<u>1,033,175</u>
	310,295	387,505

**Deferred Charges, at cost less amounts
amortized**

Management contract	956,852	1,030,456
Debenture issue costs	<u>203,660</u>	<u>70,892</u>
	1,160,512	1,101,348
	<u>\$19,985,274</u>	<u>\$18,413,620</u>

Approved by the Board

CLARE C. LECKIE, Director

FRED C. ADAMS, Director

Robinson Little & Company Limited

(Incorporated under the laws of Canada)

LIABILITIES

Current Liabilities

	1978	1977
Bank indebtedness	—	\$ 3,200,000
Accounts payable and accrued liabilities	\$ 7,274,744	6,341,841
Income and other taxes	94,838	375,375
Current maturities on long-term debt	516,667	100,000
Deferred income taxes	106,032	—
	<u>7,992,281</u>	<u>10,017,216</u>

Long-Term Debt (Note 3)	<u>4,583,333</u>	<u>1,365,500</u>
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Deferred Income Taxes	<u>89,262</u>	<u>89,770</u>
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SHAREHOLDERS' EQUITY

Capital Stock (Note 4)	2,484,832	2,484,832
Retained Earnings	4,835,566	4,456,302
	<u>7,320,398</u>	<u>6,941,134</u>
	<u>\$19,985,274</u>	<u>\$18,413,620</u>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1978**

	1978	1977
Balance at Beginning of Year	\$4,456,302	\$3,903,681
 Net income	 529,516	 702,840
	<u>4,985,818</u>	<u>4,606,521</u>
 Dividends declared		
Class A	5,941	6,104
Common	144,311	144,115
	<u>150,252</u>	<u>150,219</u>
Balance at End of Year	<u>\$4,835,566</u>	<u>\$4,456,302</u>

File
Robinson Little & Company, Limited

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1978

	1978	1977
Net Sales	\$46,502,401	\$43,337,153
Operating Income , for the year, before deducting the undernoted items	\$ 1,205,777	\$ 1,628,691
Depreciation and amortization	79,396	100,458
Contribution to employees' retirement plan	101,857	160,895
Amortization of management contract	73,604	73,604
Amortization of debenture issue costs	70,892	6,977
Interest on long-term debt	161,999	142,196
	487,748	484,130
Income before income taxes	718,029	1,144,561
Income Taxes (note 7)		
Current	82,989	381,946
Deferred	105,524	59,775
	188,513	441,721
Net Income	\$ 529,516	\$ 702,840
EARNINGS PER SHARE	\$.44	\$.58
FULLY DILUTED EARNINGS PER SHARE	\$.39	\$.51

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1978**

Working Capital Derived from	1978	1977
Operations	\$ 748,695	\$ 944,063
Proceeds from disposal of fixed assets	48,085	37,763
Issue of Series "A" Debenture	5,000,000	
	<u>5,796,780</u>	<u>981,826</u>
Working Capital Applied to		
Purchase of fixed assets	46,066	41,059
Reduction of long-term debt	1,782,167	203,500
Dividends	150,252	150,219
Cost of debenture issue	203,660	
	<u>2,182,145</u>	<u>394,778</u>
Increase in Working Capital	<u>3,614,635</u>	<u>587,048</u>
Working Capital at Beginning of Year	<u>6,907,551</u>	<u>6,320,503</u>
Working Capital at End of Year	<u>\$10,522,186</u>	<u>\$6,907,551</u>

Robinson Little & Company Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1978

1. Accounting Policies

(a) Principles of consolidation

The financial statements of the company have been consolidated with those of its wholly-owned subsidiary, The Brock Company (Western) Limited. Inter-company transactions have been eliminated for consolidation purposes.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Fixed assets

Fixed assets are stated at cost. Depreciation is provided on the diminishing balance basis using the following annual rates

Retail store buildings	10%
Equipment	20%

When fixed assets are disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income.

Leasehold improvements are amortized on the straight-line basis over the remaining term of the leases, plus one renewal option period.

(d) Deferred charges

The management contract is amortized on the straight-line basis over a period of 20 years ending in 1991.

Costs of the new debenture issue will be amortized on the straight-line basis over a period of 12 years ending in 1990. The balance of the former debenture issue costs have been written-off to operations.

2. Fixed Assets

	1978			1977
	Cost	Accumulated Depreciation	Net	Net
Land.....	\$ 7,145		\$ 7,145	\$ 8,145
Buildings.....	50,487	33,082	17,405	24,215
Equipment	1,254,273	985,532	268,741	317,094
Automobiles				15,320
Leasehold improvements less amortization	17,004		17,004	22,731
	<u>\$1,328,909</u>	<u>\$1,018,614</u>	<u>\$310,295</u>	<u>\$387,505</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1978

3. Long-Term Debt

	1978	1977
9% Note payable in minimum annual instalments of \$100,000	\$ 100,000	\$ 200,000
9½% Series "A" Debenture		1,265,500
Floating Rate Series "A" Debenture due December 15, 1990, payable \$34,722 per month plus interest	5,000,000	
	5,100,000	1,465,500
Less principal included in current liabilities	516,667	100,000
	<u>\$4,583,333</u>	<u>\$1,365,500</u>

During the year the company issued a new Series "A" Debenture and deposited sufficient funds with the trustee to retire the 9½% Series "A" Debenture with interest calculated to January 15, 1979.

Interest on the new \$5,000,000 Series "A" Debenture is adjusted quarterly to the prime lending rate of the Royal Bank of Canada plus an additional 2% to 2½% which is determined annually depending on the inventory turnover of the company. The company has the option of repaying the balance of the principal on December 15, 1983.

4. Capital Stock

	1978	1977
Authorized		
58,885 Class A shares of no par value		
2,550,000 Common shares of no par value		
2,000,000 6% Voting, non-cumulative deferred shares at par value of \$.10 each		
Issued		
58,885 Class A shares (60,915 shares in 1977)	\$2,284,832	\$2,284,832
1,203,115 Common shares (1,201,085 shares in 1977)		
2,000,000 Deferred shares	200,000	200,000
	<u>\$2,484,832</u>	<u>\$2,484,832</u>

5. Bank Credit

The company has a bank line of credit which is secured by a general assignment of receivables and by an \$8,000,000 debenture giving the bank a first floating charge on the assets of the company.

Robinson, Little & Company, Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1978

6. Lease Commitments

The total rental paid for the year ended December 31, 1978 under leases for furniture and fixtures, store and warehouse facilities was as follows

	Total rental expense	Dealers' obligation	Net rental expense
Furniture and fixtures, store and warehouse facilities.....	<u>\$3,117,899</u>	<u>\$ 185,201</u>	<u>\$2,932,698</u>

The minimum annual rental commitments under executed leases for furniture and fixtures, store and warehouse facilities (exclusive of occupancy charges and additional rental payable based on a percentage of gross sales) and the annual rental to be paid by dealers for store locations in the next five years are as follows

	Total rental obligation	Dealers' obligation	Net minimum rental
1979.....	\$3,112,763	\$195,871	\$2,916,892
1980.....	2,746,243	191,208	2,555,035
1981.....	2,189,524	167,960	2,021,564
1982.....	1,884,072	151,737	1,732,335
1983.....	1,616,807	121,872	1,494,935

These agreements have options to renew for further periods from five to fifteen years.

7. Income Taxes

Current income taxes for 1978 have been reduced by \$220,247 resulting from the 3% inventory allowance deduction permitted for income tax purposes.

8. Contingent Liabilities

The company is contingently liable for guarantees of franchise dealers' bank loans in the amount of \$622,246.

9. Statutory Information

	1978	1977
Number of directors	11	10
Directors' remuneration as directors	\$ 7,250	\$ 4,200
Number of officers	4	4
Officers' remuneration as officers	\$196,943	\$185,567
Number of officers who are also directors	4	3

10. Anti-Inflation Act

The company was subject to the Anti-Inflation Act which provides, from October 14, 1975, for the restraints on profit margins, prices, dividends and compensation in Canada. Management is of the opinion that the company has complied with the Act.

